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(S) NATIONAL RECONNAISSANCE OFFICE

WASHINGTON, D.C.

OFFICE OF THE DIRECTOR

June 7, 1983

The Honorable Joseph P. Addabbo
 Chairman, Subcommittee on Defense
 Committee on Appropriations
 United States House of Representatives
 Washington D.C. 20515

Dear Mr. Chairman:

In the FY 1983 House Appropriations Report for the National Reconnaissance Program (NRP), the Committee stated its concerns about the quality of funding estimates. I wish to address this concern by informing the Committee of actions taken to improve NRP cost estimating and control.

Since becoming the Director, National Reconnaissance Office (DNRO) in August 1981, I have reviewed each of the programs in great detail to ascertain their overall technical, schedule, and funding status with primary emphasis being placed on cost credibility. In cases where program cost estimates appeared optimistic, they were reevaluated. Further, I have visited each of the major prime contractors and strongly emphasized our objective: a quality product delivered on time and within cost. The fact that unrealistic cost estimates or incomplete scoping of projects would not be tolerated has been made perfectly clear.

The program directors are fully aware of the importance I place on cost credibility, particularly in the preparation of initial estimates and the need for comprehensive and complete proposals. Within the NRP, the methodology and procedures used in evaluating contractor proposals for cost credibility and realism have been reviewed. As a result, in addition to extensive fact finding to resolve any discrepancies, the source selection process now includes increased consideration of past contractor and major subcontractor performance. The evaluation team is also required to prepare a most probable cost estimate for the selected source prior to award of contract.

Even given this cost consciousness by the NRP, the fact that our systems do push the state-of-the-art during development may result in replanning from time to time. We expect to encounter technical problems that may affect cost, schedule, or performance. In resolving these problems, my program managers are required to examine the trade-offs available to them to control cost without placing the mission in jeopardy. To further enhance their awareness of the importance of cost, I have instituted regular reviews with the program directors covering cost, schedule and technical performance status of their programs. This process allows me to become involved in resolution of any significant problems and to make you aware of problems at an early stage.

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✓ IC STAFF

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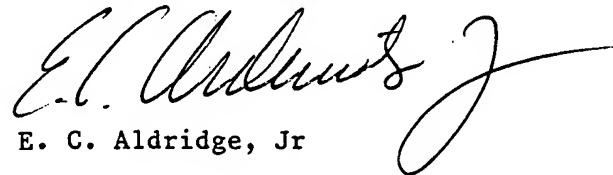
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In summary, I am personally committed to providing credible and realistic cost estimates for the programs submitted to the Congress and to continue to manage the program costs consistent with performance and schedule requirements. This has been stressed to my organization and I will continue to emphasize management activities that reaffirm this commitment. If I can provide any further information on this subject, please let me know.

Sincerely,



E. C. Aldridge, Jr

cc: IC Staff



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